Swiss Quality Consulting Services in Russia.
14 September 2020

quality partners.

business solutions partners.
Locations.

Moscow

St. Petersburg
Andreas Bitzi

Founder/Managing Director

- 12 years of experience in consulting market in Russia, supporting foreign business.
- Founded quality partners end of 2017.
- Track record in finance, tax & ERP in industrial companies and a leading global IT company.
- Procurement, project & process analysis, optimization, financial planning & analysis, budgeting, tax planning, liquidity planning, project valuation, stock optimization, refinancing projects.
- Master of Science in business administration, University of Bern
- Passed level II of the Chartered Financial Analyst (CFA) Exam.
- Languages: RU, EN, DE, FRA, ESP.

External presence:
- Chairman of the SME Committee of the Association of European Businesses (AEB)
- Deputy Chairman of the AEB in the Northwest.
- Board Member JCC Joint Chambers of Commerce Switzerland/CIS + Head of Russia Chapter
- Board Member of Graduate School of Management Int. Bachelor Programme, SPb University.
- Guest lecturer at SPb University on practical business issues and macroeconomics.
- Frequent speaker at events on business in Russia with AEB, AHK, Gim-Unimpresa, Switzerland Global Enterprise, etc.
- Member of compliance committee of AHK
Irina Krasheninnikova.

Member of the Management Team, VP HR

- Advisory and guidance on HR matters to top-management (including T&D, C&B and HR Operations matters);
- Building and maintaining corporate culture with focus on key values: efficiency, teamwork and constant personal development.
- Advice and guidance on HR, Payroll, Development matters, migration.
- HR audits and efficiency analysis, policies implementation & optimization
- Onboarding, adaptation, retention, mediation.
- Performance management (incl. 360 degrees, SMART goals assessment);
- Recruiting (Finance, Admin, Sales, BD, General management, Top management).
- Irina is supported by an HR Expert.
- Languages: RU, EN.

External presence:
- Chairperson of the Saint-Petersburg HR Committee at AHK.
- Member of the Education programs’ Board at the SPb University.
- Invited tutor at the Saint-Petersburg State University.
Member of the Management Team, VP Finance

- 15+ years of experience in accounting, finance, taxation and internal auditing.
- 10+ years of experience in managing accounting department.
- Responsible for accounting outsourcing department (13 colleagues under direct/indirect supervision).
- Full accounting outsourcing projects.
- Projects on optimization of accounting / finance departments.
- Accounting and tax consulting of companies from trade (including retail), construction, food and beverages production sectors.
- Accounting of manufacturing companies.
- Consulting clients as CFO.
- Interim CFO mandates.
- Languages: RU, EN, DE.

**External presence:**
- Speaker at committees, working groups of AHK and quality partners’ seminars.
Member of the Management Team, Finance Team Leader

- IFRS reporting, international GAAP reporting.
- Recovery of commercial and tax accounting.
- Representation in tax authorities.
- 1C / other software (e.g. SAP) data interchange development, analysis, optimization.
- Import / export operations.
- Accounting software implementation and maintenance in production.
- Accounting processes optimization.
- Financial statement analysis.
- Bilateral, multilateral, chain deals analysis, optimization, development.
- Localization structure development.
- Finance, accounting, tax due diligence, treasury, hedging.
- 2 colleagues under supervision.
- Languages: RU, EN.

External presence:
- Speaker at committees quality partners' seminars.
Irina Saadueva.

Member of the Management Team, VP Legal & Tax

• Manages the legal Department of the company in Moscow and St. Petersburg.
• Specializes in projects for localization of production in Russia, especially German, Swiss and Italian companies in the field of automotive, chemical production and pharmaceuticals.
• Expert in contract law with a focus on contractual manufacturing agreements, license agreements, distribution contracts.
• Irina has eight years of experience in international companies in Russia, especially in the field of consulting services.
• Dipl. Lawyer with specialization on contract law, family and inheritance law, graduated from law faculty of Humboldt University of Berlin (Germany).
• 3 colleagues under supervision in both legal and tax.
• Languages: RU, EN, DE, ITA.

External presence:
• Coordinator of the subdivision in St. Petersburg of Association of Italian Business in Russia - GIM Unimpresa.
• Speaker at committees and quality partners’ seminars.
Services overview.

- business set-up
- legal consulting
- tax compliance & consulting
- accounting, payroll & reporting
- HR consulting, coaching, personnel development, HR audits
- recruiting
- interim or long-term management
- support of localisation of manufacturing
- import & trade
- IT support
- internal audit
Business set up.

- market research
- structuring advisory / optimal structuring
- registration of legal entity
- bank accounts opening
- expat consulting
- general business advisory
- recruiting of personnel
- office sublease or office search
- organisation of processes in banking, tax, migration, HR

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Legal and tax services.

- corporate law
- contract law
- labour law
- migration law
- license law
- compliance
- tax consulting
- tax structuring
- tax optimisation
- transfer pricing
Accounting, payroll, tax compliance.

- full or partial accounting outsourcing, with modular solutions
- chief accountant outsourcing
- reporting to state authorities
- reporting to HQ according to internal guidelines
- communication with tax authorities / other authorities
- consulting in accounting, payroll & tax
Business representation.

- office sublease
- legal address
- business address
- business representatives
- business process & back office outsourcing
- outsourcing of management positions
HR & personnel.

- HR & payroll audits
- HR director outsourcing
- personnel development
- coaching
- labour law consulting
- recruiting
- leadership skills seminars
- lean management seminars
- internal rules & regulations
- support before/during/after labour inspections
- hiring & dismissal
Interim or long-term management.

- general director outsourcing
- CFO outsourcing
- chief accountant outsourcing
- HR director / HR manager outsourcing
- board of directors representation
- outstaffing of personnel
- company management ad interim or long-term
- general business consulting
Localisation of manufacturing.

- location search
- legal support: foundation, purchase, registration, business partner check
- contract manufacturing agreement
- shareholder agreement, JV agreement, licence agreement
- import support
- Compliance with localisation requirements
- communication with authorities
- interim management, support by experienced industrial managers

quality partners.

business solutions partners.
Our clients.
Memberships.

INTEGRA INTERNATIONAL
YOUR GLOBAL ADVANTAGE

AEB Association of European Businesses
Joint Chamber of Commerce JCC
Switzerland 
Russia · Ukraine · Belarus · Moldova
Kazakhstan · Uzbekistan · Turkmenistan
Kyrgyzstan · Tajikistan · Afghanistan
Azerbaijan · Georgia · Armenia

AHK Deutsch-Russische Auslandshandelskammer
Российско-германская внешнеторговая палата

Deutsch-Russischer Wirtschafts bund
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115432 Moscow

St. Petersburg office
Business Centre Nevsky Plaza
Nevsky Prospekt 55
Office 4.03
191025 St. Petersburg
Quality partners’ webinars series.

- 14 SEP 2020
  Taxation in Russia – Corporate income tax, VAT, other taxes

- 30 SEP 2020
  Accounting & reporting

- 14 OCT 2020
  Transfer pricing – overview, experience
Quality partners’ webinars series.

- Registration of legal entities; LLC, rep. Office, branch office
- General director, board of directors
- Legal address, 1-1-1 rule
- Financing of a legal entity
- Import solutions
- HR issues, hiring, internal documents
- Labour safety measures in office practice, office solutions, flex desk
- Remote work from a legal standpoint
- Remote control of employees
- Migration issues, work permit, visa
- Cultural differences Russia vs. west
- HR Trends 2020/21, labour market overview
Quality partners’ webinars series.

- Royalties, trademarks, IP protection
- Licences, sublicences agreements
- Distribution concepts
- Sanctions overview, sanctions checks
- Sanctions clauses in agreements in practice
- Due diligence – finance, tax, legal
- Typical corruption schemes to be aware of
- Currency controls regulations
- Local manufacturing – what does it mean in practice?
Content

- Overview
- Reporting
- Profit tax
- VAT
- Personal income tax
- Social contributions
- Permanent tax establishment
- Issues with tax authorities
- Current issue: double taxation treaties
Overview.

- **Profit tax**
  20% (15%, 6%,….., other); usage of losses carried forward

- **VAT**
  20%, 10%, 0%

- **Property tax**
  max 2.2%

- **Personal income tax**
  13%, 30%

- **Social contribution**
  30% / 27.1% / 15.1% / 15% flat / other
### Reporting to authorities.

<table>
<thead>
<tr>
<th>Payroll reporting</th>
<th>Authority</th>
<th>Periodicity</th>
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<tbody>
<tr>
<td>list of employees (social insured persons): SZV-M form</td>
<td>pension fund</td>
<td>monthly</td>
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<tr>
<td>list of employees (social insured persons): SZV-TD form</td>
<td>pension fund</td>
<td>monthly</td>
</tr>
<tr>
<td>information about work experience of employees (social insured persons)</td>
<td>pension fund</td>
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</tr>
<tr>
<td>confirmation on business activities types and tariffs for contributions of social insurance against accidents at work and occupational diseases</td>
<td>social insurance fund</td>
<td>yearly</td>
</tr>
<tr>
<td>report on accrued and paid contributions of social insurance against accidents at work and occupational diseases: 4-FSS</td>
<td>social insurance fund</td>
<td>quarterly</td>
</tr>
<tr>
<td><strong>social contributions report</strong></td>
<td></td>
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<tr>
<td>average number of employees</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>personal income tax report: 6-NDFL</td>
<td>tax office</td>
<td>quarterly</td>
</tr>
<tr>
<td>report on income paid to employee and withheld PIT: 2-NDFL</td>
<td>tax office</td>
<td>quarterly</td>
</tr>
<tr>
<td>report on income paid to employee and NOT withheld PIT: 2-NDFL</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>notification about salary amounts paid to HQS (highly qualified specialists)</td>
<td>federal migration service</td>
<td>quarterly</td>
</tr>
</tbody>
</table>
# Reporting to authorities

<table>
<thead>
<tr>
<th>Tax reporting</th>
<th>Authority</th>
<th>Periodicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT report</td>
<td>tax office</td>
<td>quarterly</td>
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<tr>
<td>profit tax return</td>
<td>tax office</td>
<td>qt-ly (m-ly*)</td>
</tr>
<tr>
<td>report on income paid to foreign companies and withheld tax on income</td>
<td>tax office</td>
<td>qt-ly (m-ly*)</td>
</tr>
<tr>
<td>property tax</td>
<td>tax office</td>
<td>quarterly</td>
</tr>
<tr>
<td>vehicle tax</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>land tax</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>water tax return</td>
<td>tax office</td>
<td>quarterly</td>
</tr>
<tr>
<td>notification about controlled deals (ic-transactions)</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>notification about being a part of an MNE</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>report about activity</td>
<td>tax office</td>
<td>yearly</td>
</tr>
</tbody>
</table>
# Reporting to authorities.

<table>
<thead>
<tr>
<th>Financial reporting</th>
<th>Authority</th>
<th>periodicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>year end reporting package: balance sheet, P&amp;L, capital movement report, cash flow, explanatory notes to B/S, P&amp;L</td>
<td>tax office</td>
<td>yearly</td>
</tr>
<tr>
<td>auditors’ opinion (in case of obligatory audit)</td>
<td>statistics office</td>
<td>yearly</td>
</tr>
<tr>
<td>auditors’ opinion (in case of obligatory audit)</td>
<td>Fedresurs</td>
<td>yearly</td>
</tr>
<tr>
<td>Other reporting**</td>
<td></td>
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</tr>
<tr>
<td>report of movements of goods (for export deals within EEU)</td>
<td>federal customs service</td>
<td>monthly</td>
</tr>
<tr>
<td>report on calculation of levy for negative environmental impact</td>
<td>env. protection office</td>
<td>yearly</td>
</tr>
<tr>
<td>pollution levy for manufacturers and importers of goods: report on the quantity of produced / imported goods</td>
<td>env. protection office</td>
<td>yearly</td>
</tr>
<tr>
<td>pollution levy for manufacturers and importers of goods: report on performance of recycling rates</td>
<td>env. protection office</td>
<td>yearly</td>
</tr>
<tr>
<td>report on calculation of pollution levy for manufacturers and importers of goods</td>
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</table>
Profit tax.

- 20% rate; simplified taxation; special tax regimes
- Quarterly (monthly) submission, quarterly (monthly) payments

Deductible costs
- Some provisions, like warranty reserves, in part unused vacations, bad debt
- Partial one-time depreciation of 10-30%
- Interest paid on loans for goods purchase (not capitalised)

Specific limits
- Advertising expenses 1% of sales
- Entertainment expenses 4% of payroll costs
- Life/pension insurance costs 12% of payroll costs
- Health insurance costs 6% of payroll costs
- Bad debt allowance 10% of turnover
- If undercapitalised, no interest costs ("hidden dividend")
Pre-registration costs

- Not tax-deductible

Centralised services

- %-share of costs is not acceptable in RU
- International information exchange works

Transfer pricing

- 60 mio. RUR
- Notification, documentation
- Automatic information exchange
- Profit tax base adjustments possible
VAT

- 20% / 10% / 0%
- Quarterly VAT declarations
- Usually simplified tax audit in case of VAT reimbursement
- Simplified taxation system: no VAT payers
Import VAT

• To be paid when goods cross the border
• Declared/Reimbursed when exported / used / sold

Export VAT

• 0%

VAT on services

• Place of realisation on buyer’s / seller’s side?
• Cross-border VAT losses possible
VAT on electronic services

• Foreign entities offering electronic services in RU are to register for VAT purposes

• Online sales of goods, sales of software licences, databases on tangible storage

• Consulting services via email

• Internet access services

• VAT recovery by the Russian clients
Services provided by Russian subsidiary to HQ and vice versa

- VAT-able services or not
  - Place of realisation
- Who sells to whom?
- Is there a rep. Office or not?
Sales to HQ – with a parallel branch office in RU

* Services are VAT-able in Russia in case the purchaser is situated in RU (directly or via branch office / rep. office

Engineering services*

RU subsidiary (OOO)

Tax authorities

** VAT paid to revenue authorities according to quarterly VAT declarations

Payments incl. VAT**

** VAT paid to OOO can be used as input tax in case the German HQ via the branch office has VAT-able sales

German HQ

Branch office

Germany | Russia
Sales to HQ – branch office closed

* Services are VAT-able in Russia in case the purchaser is situated in RU (directly or via branch office / rep. office)

** VAT paid to revenue authorities according to quarterly VAT declarations

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**German HQ**

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**Engineering services**

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**RU subsidiary (OOO)**

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**Payment w/o VAT**

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**Tax authorities**
Personal income tax.

- 13% flat
- 13% / 15% flat as of 2021
- 30% non-tax residents
- 13% HQS (30% on non-core income)

Partly taxable
- Daily allowances
- Certain incentives

Tax residence
- 183 days
- Soon 90 days / life centre approach?
Social contributions.

Normal rates
• 30% up to contribution ceilings (1,292,000 / 912,000)
• 15.1% above
• 0.2% - 8% accident insurance

SMEs
• 15% flat
• 0.2% - 8% accident insurance

IT companies
• 28% up to contribution ceilings
• 4% above
• 0.2% accident insurance
Permanent establishment

General obligation for registration
• 30 days
• Fixed working space

Permanent establishment
• «regular activities»
• Profit tax impact
• Simple deliveries do not lead to PEs
• Examples: assembly supervision, regular teaching, head of rep. office has PoA
to sign agreements/does it
Special case: construction site

- 12 months
- Profit taxes to be paid on the whole project, since inception
- Connected to real estate
- Assembly works, repair works, renovation works
- In case of machinery: if they require a fixation to the ground
- Does not include: supervision of works
- Interruptions are not deducted
Issues with tax authorities.

Informal communication

• Please reduce your loss / change it into a profit
• Please do not claim your VAT
• Loss commission.
• We will check you!

Budget fulfilment

• Internal goals have to be reached

Final beneficiaries

• Chains are followed up to the end
Final beneficiary

Russian OOO → Ownership 99.9% → Country 1 LLC

NO DTT in place
Royalties / interest taxed at 20%

Country 1 LLC → Ownership 100% → Country 2 LLC

DTT in place
Royalties, interest taxed at 0%

Country 2 LLC
Corona speech in April 2020

- Avoid profit shifting into tax havens
- Adjust or terminate agreements
- CY: new agreement signed, changes to preferential dividend taxation